

**Statement for the Record
Bureau of Land Management
U.S. Department of the Interior
Before the
House Natural Resources Subcommittee on Energy and Mineral Resources**

H.R. 2752, The BLM Live Internet Auctions Act

September 13, 2011

Thank you for the opportunity to present this Statement for the Record on H.R. 2752, the BLM Live Internet Auctions Act, which authorizes the Secretary of the Interior to conduct onshore oil and gas lease sales through Internet-based live lease auctions. The Bureau of Land Management (BLM) supports the goal of diversifying and expanding the Nation's onshore leasing program to ensure the best return to the Federal taxpayer and supports H.R. 2752. The BLM would like to work with the committee on technical and clarifying modifications to the bill and on an amendment pertaining to the location and frequency of lease sales.

Background

The Mineral Leasing Act of 1920 establishes the statutory framework to promote the exploration and development of oil and natural gas from the federal onshore mineral estate. Secretary Salazar has emphasized that as we move toward the new energy frontier, the development of conventional energy resources from BLM-managed public lands will continue to play a critical role in meeting the Nation's energy needs. Facilitating the safe, responsible, and efficient development of these domestic oil and gas resources is part of the Administration's broad energy strategy – outlined in the President's *Blueprint for a Secure Energy Future* – that will protect consumers and help reduce our dependence on foreign oil.

The BLM is working diligently to fulfill its part in securing America's energy future. The BLM currently manages more than 40 million acres of onshore oil and gas leases. In FY 2010, onshore oil production from public lands increased by 5 million barrels from the previous fiscal year as more than 114 million barrels of oil were produced from the BLM-managed mineral estate—the most since FY 1997. Meanwhile, the nearly 3 trillion cubic feet of natural gas produced from public lands made 2010 the second-most productive year of natural gas production on record. In 2010, conventional energy development from public lands produced 14.1 percent of the Nation's natural gas, and 5.7 percent of its domestically-produced oil.

Current and future lease sales are benefitting from much-needed reforms that the BLM put in place in May 2010. The BLM reforms established a more orderly, open, and environmentally sound process for developing oil and gas resources on public lands. They focus on making oil and gas leasing more predictable and increasing certainty for stakeholders. With these reforms, the number of protests of parcels offered in lease auctions has declined dramatically. During 2011, only 12 percent of nearly 900 parcels offered for lease have been protested compared with over 40% of parcels offered being protested during the two years before the reforms were implemented. Twelve lease sales this year have been conducted without any parcels being

protested. In addition, revenues from lease sales have increased from approximately \$165 million dollars in FY 2009 to nearly \$235 million dollars to date in FY 2011.

Onshore Competitive Oil & Gas Lease Sale Process

In accordance with the Mineral Leasing Act, the BLM competitively offers eligible lands which are available for lease by oral auction on a quarterly basis. As part of the competitive leasing process, the BLM accepts informal expressions of interest (EOI) and noncompetitive presale offers from industry or other interested parties. The BLM collects the requested parcels into draft sale lists and adjudicates them for availability, verifying mineral ownership, and ensuring there are no pre-existing oil and gas leases on the requested lands. The parcels are then evaluated through the BLM multiple-use planning process required by the Federal Land Policy and Management Act.

Once parcels are evaluated and found to be in conformance with BLM Resource Management Plans (RMP) and the BLM has documented site-specific National Environmental Policy Act compliance, the parcels are made available and placed on the next Notice of Competitive Oil and Gas Lease Sale by the BLM State Office with jurisdiction over the lands. Competitive lease sales are held at least quarterly by each of the BLM State Offices where there are eligible lands. Parties interested in bidding on parcels must attend the oil and gas competitive lease sale auction to obtain a competitive lease or make formal arrangements for someone to represent them at the auction. No sealed or mailed bids are accepted.

BLM's Oil & Gas Internet Lease Auction Pilot

Congress directed the Secretary of the Interior through the Fiscal Year 2008 Consolidated Appropriations Act (Public Law 110-161) to establish an oil and gas leasing Internet pilot program, under which the Secretary could conduct lease sales through methods other than oral auctions. To carry out the pilot program, the Secretary was permitted to use up to \$250,000 from the BLM's oil and gas Permit Processing Improvement Fund. The BLM developed a pilot oil and gas lease Internet auction as an alternative to the quarterly oil and gas oral auctions required by the Mineral Leasing Act. The intent of the pilot was to test the feasibility of conducting a web-based lease sale auction, and evaluate the potential savings and benefits for the Federal Government and lease sale participants.

On July 8, 2009, the BLM's Colorado State Office offered the first Federal oil and gas lease parcels for sale on the Internet. All parcel evaluation, registration, and bidding were performed online. Bidding opened on September 9, 2009, for 7 days and closed over a 2-day period on September 16 and 17, 2009. The website functioned extremely well and the sale was successfully completed. An evaluation of the Internet auction found that leasing online would have immediate cost savings and benefits, such as potentially increased competition. The Internet pilot test had nearly twice as many bidders compared to the average number that attend the BLM Colorado's oral lease sales.

H.R. 2752

H.R. 2752 amends the Mineral Leasing Act to authorize the Secretary of the Interior to conduct onshore oil and gas lease sales through Internet-based live lease sales, in order to expand the Nation's onshore leasing program and to ensure the best return to the Federal taxpayer. The bill

also requires the Secretary to conduct an analysis of the first 10 Internet based live lease sales and report the findings of the analysis to Congress within 90 days following the 10th Internet-based live lease sale.

The BLM supports H.R. 2752, which allows the BLM to expand upon its success with the oil and gas Internet lease auction pilot project. The BLM would like to work with the committee to include related language in the bill to provide the Secretary the discretion to hold lease sales (via the Internet or oral auction) more or less frequently than quarterly (as currently required by the Mineral Leasing Act) or within any state in which lease tracts are available and there is public interest. Finally, the BLM would like to work with the Committee on technical and clarifying modifications to the bill.

Conclusion

Thank you again for the opportunity to present this Statement for the Record on H.R. 2752.